Interviewee:  **Michael Aronstein**

Title:               **CEO**

Company: **Marketfield Asset Management**

Channel:          **Bloomberg US**

Date:              **April 18, 2011**

Time: **3:15 PM ET**

Duration:        **7 minutes 39 seconds**

Interviewer 1: **Carol Massar**

Interviewer 2: **Mike Miller**

**Carol Massar**

And we’re back at 3:16 on this Monday. Welcome back to StreetSmart. As we’ve discussed, stocks are retreating today to their lowest level in almost a month because Standard & Poor’s warned of a potential downgrade in the AAA rating for US long-term debt. But our next guest says that’s giving the rating agency much more credit than it deserves. Joining us right now to talk about that Mike Aronstein. He’s President and CEO of Marketfield Asset Management, which manages about $1.1 billion in assets. Mike, good to have you back with us.

**Michael Aronstein**

Thanks for having me again.

**Carol Massar**

See, you do kind of laugh at S&P, which many would say missed the financial crisis and so on and so forth, that we’re giving so much credit and so much attention to their call here this morning.

**Michael Aronstein**

Yeah, I think it’s just, you know, it’s a slow news period, I think. Charlie Sheen and Lindsay Lohan are behaving themselves so people need something to talk about.

**Carol Massar**

But do you really brush it off that easily?

**Michael Aronstein**

Yeah, absolutely. This is simply an opinion. It’s one of twenty million opinions about the fiscal condition and political environment in the United States, and it’s not based on any sort of research unless they happen to have somebody planted in the depths of the Treasury building who has insight into a secret message left by Thomas Jefferson that no one else knows about. This is an opinion about facts that are widely distributed among market participants, and--

**Mike Miller**

Aren’t those facts though concerning? I mean, we were looking today, if President Obama’s plan for debt reduction going forward is chosen, then we still have a debt of $21 trillion in 2016 and even if Paul Ryan’s plan goes forward, which people think of as kind of more cutting-edge or more of a maverick plan, we still have a debt of $19.5 trillion in 2016. Neither one of them does anything really about the problem, right?

**Michael Aronstein**

Right, and it has to get to a point where the pressures on them are more acute.

**Carol Massar**

So this is a little more pressure.

**Michael Aronstein**

I really don’t see this as more pressure. I don’t think anybody has, I hope nobody has changed their opinion because of a statement by a third party about something that’s widely known at this point, but all of these things are part and parcel of a political process that reflects, I mean, there’s a global pressure on the kind of entity that we call government now and it ranges from the Middle East to Michigan to Washington and it has to do with the fact that government in its current form has not kept up with the pace of the 21st century and is, you know, at one point, people seized upon government as an entrepreneurial activity, which is a distortion of its role and in some instances, it’s been done through the direct confiscation of the wealth of the population. In others, it’s just become a racket, sort of like in New York.

**Carol Massar**

But don’t you feel like we’ve got to get, I’ve got a lot to ask you, but--

**Mike Miller**

Drive on these roads and pay these taxes and try and put that together. It doesn’t make any sense.

**Carol Massar**

Don’t we have to get our fiscal house in order? I mean, don’t we need to lay out a plan for dealing with the debt. I mean, we can barely, you know, servicing costs are just out of control. I mean, don’t we need to, Mike, lay something out, and get really serious about it?

**Michael Aronstein**

This is a long process of the world rethinking the role of government in modern life. In a way, it’s like the transition from monarchy in Europe that took place over a very, very long period of time.

**Mike Miller**

Hang on a second, Mike. We want to get also your investment take while we have you here in the studio. We have to take a quick break. A quick break here, two minutes. What do you say, two minutes and then we will come back.

**Carol Massar**

Two minutes work for you? One minute, Mike says. We will come back though with Michael Aronstein.

*[Ad Break]*

**Carol Massar**

Welcome back to Street Smart. We’ve been talking to Mike Aronstein. He’s President and CEO of Marketfield Asset Management, which manages about $1 billion in assets. He just mentioned to us, I should say, that the S&P outlook change in the US is not based on research. Having said that, Mike, back in February, Mary Meeker, who’s now at Kleiner Perkins, she did look at the United States as a corporation, did a bunch of research and she basically said, who would want to buy its shares and what would a turnaround expert recommend for a company that lost more than $2 trillion net operating cost in 2010. I mean, we are in a really ugly state. I mean how does it take to fix where we are in your view?

**Michael Aronstein**

It’s a question of the philosophical evolution. There’s never a bad time to stop wasteful spending, and that’s appropriate always and everywhere.

**Carol Massar**

But do we have the nerve at this point. I keep saying, do we have enough political will. I mean, what makes this time different?

**Michael Aronstein**

Well, I think people are kind of more informed these days. They have access to a great deal more direct, undigested information so they can actually look at the facts and realize that some of the people who are benefitting from what I would consider profligacy or wasteful spending really should be sort of taken off the gravy train, and that’s, I think in the old days, government acted as an intermediary, an informational intermediary where a lot of people, even in the United States, were kind of at the mercy of the distribution of information through government channels before we had a really functional communications infrastructure. Now the average citizen is much, much more well informed than the average political leader either in Washington or in any of the state capitols. I mean I would say both of my boys know a heck of a lot more about what’s going on from day to day, and if you give them any particular topic to research, they’ll be more informed about it much more rapidly than members of a committee on the Congressional staff.

**Mike Miller**

A committee that we put together and don’t do anything with their findings anyway.

**Michael Aronstein**

Right.

**Mike Miller**

Let me ask you about the investment climate here because we all know that there could be a pretty scary future ahead of this country, but you still think the assets here are undervalued in relation to, or in comparison to, assets overseas.

**Michael Aronstein**

Yeah, I think, in general, because of the movement in the dollar, which has been sort of one-way down for quite awhile, US assets are very, very cheap in relation to the rest of the world.

**Carol Massar**

And got cheaper today. I mean, would you have been out there or were you out there aggressively buying?

**Michael Aronstein**

Yeah, we put some money to work this morning. No, it’s an opportunity, I think. The fact that the United States’ credit rating, its official credit rating may be under threat now from its perch at AAA when you have I think S&P rates Spain AA. To me, that’s ridiculous.

**Carol Massar**

Doesn’t make any sense.

**Mike Miller**

But it wouldn’t make a difference to your investment thesis even if the US was cut by Standard & Poor’s.

**Michael Aronstein**

No, the US government’s, the financial, the wherewithal of governments are all derived from the private sector within the sovereignty concerned. In other words, the US government doesn’t generate anything on its own. It removes it from the productive enterprise within the border of the U.S. and from other entities over which it has taxing authority.

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